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OFFICE OF THE ATTORNEY GENERAL
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Press Release

FOR IMMEDIATE RELEASE

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Attorney General McGraw Reaches Agreement with Three More "Debt Settlement" Companies; Refunds of \$375K to 141 WV Consumers

Melissa Mahaney of Nitro, along with the 25 other Charleston area consumers who called a company listed in their local phone book as "Consumer Credit Counseling, Charleston, 347-8828", believed they were calling Consumer Credit Counseling Services of the Kanawha Valley ("CCCS"), a long-standing locally based non-profit credit counseling agency. CCCS has five branch offices in Southern West Virginia and has been located in the Kanawha Valley since 1964. Unfortunately the number listed in the Charleston phone book rang into a call center of Consumer Credit Counseling of America, Inc. ("CCCA") of North Andover, Massachusetts.

Instead of getting credit counseling from a well-established local agency with trained counselors, the consumers who called were enrolled over the telephone in a controversial "debt settlement" service provided by two out-of-state law firms, Hess Kennedy of Coral Springs, Florida, and Richard M. Brennan of Fredericksburg, Maryland. None of the consumers ever spoke directly with these lawyers, who are not licensed to practice law in West Virginia.

Attorney General Darrell McGraw announced today that his office reached settlements with CCCA and two other debt settlement companies, Debt Relief USA Inc., of Addison Texas, and Acushield Financial Services of Las Vegas, Nevada. All three companies agreed to permanently discontinue the marketing and provision of debt settlement services in West Virginia and to refund all fees they had collected. The settlements resulted, collectively, in total cash refunds of \$374,520.12 for 141 West Virginia consumers.

McGraw's office began investigating the debt relief industry in 2005 after receiving numerous complaints from consumers who were exploited by unscrupulous debt relief companies that charged exorbitant fees. McGraw's office has determined that one of these approaches, called "debt settlement," does more harm than good for consumers and, in fact, is unlawful here unless carried out by a lawyer licensed to practice law in West Virginia.

Debt settlement is a plan or strategy offered to consumers burdened with large credit card debt in which they are advised to stop making payments on their accounts. The consumers are directed to make periodic payments to the debt settlement company until it determines that sufficient funds have been accumulated to attempt to negotiate a lump sum settlement of one or more of the consumer's credit accounts. The debt settlement companies typically charge substantial fees, including up front fees that may total 15% of the debt sought to be settled and monthly service fees of up to \$50.00. When accounts are settled, the companies typically charge a contingency fee of 20% or more of the amount allegedly saved.

McGraw's office has found that debt settlement companies run afoul of West Virginia law by charging excessive fees, providing credit repair services without a license to do so, and by engaging in the unauthorized practice of law.

“Debt settlement companies take advantage of the goodwill of consumers who truly want to pay off their debts by promising an ‘alternative to bankruptcy.’ Instead of advising consumers about all their options, as an attorney is ethically obligated to do, these companies steer consumers into a very costly option, a debt settlement plan. Although some accounts are occasionally settled, most consumers end up quitting the program within the first two years after being subjected to constant collection calls, being sued by the credit card banks, and seeing no positive benefits from the program. When consumers cancel these debt settlement plans, their request for refunds of the thousands of dollars in fees is routinely denied,” Attorney General McGraw explained.

“My staff has found that almost every consumer who signed up for debt settlement services would have been much better off filing for bankruptcy in the first place. Had they done so, their credit card debts would have been completely discharged or drastically reduced for a fraction of the cost and without any tax consequences. Consumers facing difficult financial circumstances are urged to consult with a bankruptcy lawyer or a legitimate credit counseling agency with offices in West Virginia to learn about all their options,” added McGraw.

Any persons wishing to file a complaint about a consumer matter or to alert the Attorney General about unfair or deceptive practices may do so by calling the Consumer Protection Hot Line, 1-800-368-8808, or by obtaining a complaint form from the consumer web page at www.wvago.gov.

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